

**BAUXITE RESOURCES LIMITED
ACN 119 699 982**

**NOTICE OF GENERAL MEETING
EXPLANATORY MEMORANDUM
AND
PROXY FORM**

**Date of Meeting
18 January 2008**

**Time of Meeting
9:30 am**

**Place of Meeting
Level 3
46 Ord Street
WEST PERTH WA 6005**

BAUXITE RESOURCES LIMITED
ACN 119 699 982
NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of shareholders of Bauxite Resources Limited ("**Company**") will be held at Level 3, 46 Ord Street, West Perth WA on Friday, 18 January 2008 at 9:30am for the purpose of transacting the following Business.

ORDINARY BUSINESS

Resolution 1 – Election of David McSweeney as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That David McSweeney, a Director of the Company appointed by the Board to fill a casual vacancy since the previous Annual General Meeting and is eligible for re-election be re-elected as a Director of the Company."

Note:

Pursuant to the Company's Constitution, a Director appointed by the Board to fill a casual vacancy holds office until the next General Meeting of the Company following the Director's appointment and is eligible to be re-elected.

Resolution 2 – Approval of grant of options to David McSweeney

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"That for the purpose of Listing Rule 10.11 of Australian Stock Exchange Limited the issue of:

- *2,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 25 cents and expiring on 15 May 2012; and,*
- *4,000,000 options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 40 cents and expiring on 15 May 2012.*

and otherwise on the terms and conditions outlined in Annexure A and B, to David McSweeney or his nominee for nil consideration be and is hereby approved."

If approval is given under listing rule 10.11, approval is not required under listing rule 7.1.

The options issued under Resolution 2 will be issued to David McSweeney or his nominees in accordance with the terms and conditions outlined in Annexure A and B;

- 1. David McSweeney or his nominees will be issued 6,000,000 options for no issue price;*
- 2. the options will be granted within one month of the date of this meeting;*
- 3. a summary of the terms and conditions are set out in the attached Explanatory Memorandum;*
- 4. shares issued as a result of the exercise of the options will rank pari passu with ordinary shares in the Company;*
- 5. no funds will be raised as a result of the grant of the options; and*

BAUXITE RESOURCES LIMITED

Notice of General Meeting

6. *the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 2 by David McSweeney and any associates of David McSweeney. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

A Proxy Form is attached.

To be valid, properly completed proxy forms must be received by the Company:

- By post at:
PO Box 1153
West Perth WA 6872
- By facsimile on +61 8 483 3599

By no later than 9:30am (WST) on Wednesday 16 January 2008

By order of the Board



Graeme Smith
Secretary

Date: 22 November 2007

BAUXITE RESOURCES LIMITED
ACN 119 699 982

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Bauxite Resources Limited ACN 119 699 982 ("**Company**") with sufficient information to assess the merits of Resolution 2 contained in the accompanying Notice of General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolution.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting:

RESOLUTION 2

ISSUE OF OPTIONS TO DIRECTOR

Shareholders' approval is sought to the grant of various options to Directors or their nominees, for nil consideration.

Related Party Transactions

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be a related party of the Company.

Resolution 2 provides for the grant of options to related parties which is a financial benefit which requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given

The options will be issued to Mr McSweeney or his nominees within one month of the passing of this Resolution.

The nature of the financial benefit

The proposed financial benefit is the grant to Mr McSweeney or his nominees, for no issue price, that number of options shown beside his name in the table below. Each option will allow Mr McSweeney to subscribe for one ordinary fully paid share in the Company. The exercise price of each option is also detailed in the Table 1.

Directors' recommendation

Mr Atkins, Mr Lithgow and Mr Nash all recommend shareholders vote in favour of Resolution 2.

BAUXITE RESOURCES LIMITED
Explanatory Memorandum

All of the Directors were available to consider the proposed Resolution.

Interests of directors

Mr McSweeney has noted his interest in the approval of Resolution 2.

Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant 6 million options to Mr McSweeney or his nominees.
- (b) The exercise of the options is subject to the terms and conditions outlined in Annexure A and B.
- (c) The Directors, in conjunction with the Company's advisers have attempted to value the options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 3.
- (d) The total value of the options to be issued is outlined in Table 1. If the options granted to Mr McSweeney are exercised, the effect would be to dilute the shareholdings of the existing shareholders.
- (e) As at 22 November 2007, the issued capital of the Company comprised 107,637,500 ordinary fully paid shares. On a fully diluted basis the issue of options represents approximately 4.9% of the Company's issued capital.
- (f) The directors' current interests in securities of the Company are detailed in the Table 2.
- (g) The market price of the Company's shares during the term of the options will normally determine whether or not the option holder exercises the option. At the time any options are exercised and shares issued pursuant to the exercise of the options, the Company's ordinary shares may be trading on ASX at a price which is higher than the exercise price of the options.
- (h) The options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary shares of the Company have been traded on ASX since October 2007. Since initial quotation the shares have traded in the range of 20 cents to 46 cents the most recent closing price prior to mailing of this notice was 43 cents. The options are capable of being converted to shares by payment of the exercise price.
- (i) Under the Company's current circumstances, the Directors consider that the incentive to Mr McSweeney which would be represented by the options would be a cost-effective and efficient reward for the Company as opposed to alternative forms of incentives.
- (j) Mr McSweeney is entitled to annual directors fees of \$30,000 exclusive of statutory superannuation (9%).
- (k) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in issuing the options to Directors pursuant to Resolution 2.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolution 2.

BAUXITE RESOURCES LIMITED
 Explanatory Memorandum

Table 1 - Details of options to be issued to Directors

Director	Number of options	Exercise price	Expiry date	Vesting	Indicative value as determined by Black-Scholes valuation
David McSweeney	2,000,000	25 cents	15 May 2012	18 January 2008	\$224,000
	4,000,000	40 cents	15 May 2012	18 January 2010	\$313,000

Table 2 -Details of Directors current holdings of securities in the Company

Director	Shareholding	Option holding
David McSweeney	627,500	Nil

Table 3 - Option valuation details

Details	Input
Share price	24 cents
Exercise Price	As detailed in the Table 1
Risk Free Rate (Australian 5 year T-Bond)	6.28%
Volatility (Annualised)	50%
Time (years) to expiry	4.32
Start Date	18 January 2008

BAUXITE RESOURCES LIMITED


**ACN 119 699 982
PROXY FORM**

The Company Secretary
Bauxite Resources Limited
c/- PO Box 1153
WEST PERTH WA 6872

Facsimile: +618 483 3599

I/We (name of shareholder)
of (address)
being a member/members of Bauxite Resources Limited **HEREBY APPOINT**
(name)
of (address)
and/or failing them (name)
of (address)
or failing that person then the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 18 January 2008 and at any adjournment of the meeting.

PROXY INSTRUCTIONS

<p>If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the item of business set out below.</p> <p>If you do not wish to direct your proxy how to vote please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest.</p> <p>If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.</p> <p>The Chairman has advised that his intention is to vote in favour of all resolutions.</p>	
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Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 – Election of David McSweeney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Issue of Options to David McSweeney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed Proxy 1 represents _____ % and Proxy 2 represents _____ % of my total votes
My total voting right is _____ shares

Dated: _____

If the shareholder is an individual:

Signature: _____

Print name: _____

If the shareholder is a company:

Affix common seal (if required by Constitution)

Director/Sole Director and Secretary

Director/Secretary

Print name

Print name

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting **that is by 9:30am WST on 16 January 2008** by post or facsimile to:

By Post: Bauxite Resources Limited
c/- PO Box 1153
WEST PERTH WA 6872

By Fax: +61 8 9 483 3599
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit

Annexure A

BAUXITE RESOURCES LIMITED

Terms and Conditions of 25 Cent Unlisted Options

- (a) Each Option entitles the holder to one ordinary fully paid share.
- (b) The Options may be exercised on or after the date of issue of the Options.
- (c) The Options shall expire at 5:00pm WST on 15 May 2012 (the Expiry Date).
- (d) Subject to Clause (b), the Options shall be exercisable at any time up to and including the Expiry Date by completing the Option Exercise Form and provide payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
- (e) The exercise price of the Options is \$0.25 per Option.
- (f) The Options are not transferable except to an associate of the Optionholder and application will not be made to the ASX for Official Quotation of the Options.
- (g) All ordinary fully paid shares issued upon exercise of Options will rank pari passu in any respects with the Company's then issued ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of Options.
- (h) There are no participating rights and entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that Optionholders will be allowed 10 business days notice to convert their Options to Shares to participate in an entitlement issue on the same basis as ordinary shareholders.
- (i) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with the Listing Rules.
- (j) **Adjustment for bonus issues of Shares**
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the exercise price.
- (k) **Adjustment for rights issue**
If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of a Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N+1}$$

O = the old Exercise Price of the Option.
E = the number of underlying Shares into which one Option is exercisable.
P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
S = the subscription price of a Share under the pro rata issue.
D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.
- (l) If the Optionholder or their associate, ceases to be a Director of the Company, these Options may be exercised by the Optionholder within 60 days of the cessation, provided they are still eligible to be exercised under Clauses (b) and (c).

Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

Annexure B

BAUXITE RESOURCES LIMITED

Terms and Conditions of 40 Cent Unlisted Options

- (a) Each Option entitles the holder to one ordinary fully paid share.
- (b) The Options may only be exercised on or after the second anniversary of the date of issue of the Options.
- (c) The Options shall expire at 5:00pm WST on 15 May 2012 (the Expiry Date).
- (d) Subject to Clause (b), the Options shall be exercisable at any time up to and including the Expiry Date by completing the Option Exercise Form and provide payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
- (e) The exercise price of the Options is \$0.40 per Option.
- (f) The Options are not transferable except to an associate of the Optionholder and application will not be made to the ASX for Official Quotation of the Options.
- (g) All ordinary fully paid shares issued upon exercise of Options will rank pari passu in any respects with the Company's then issued ordinary fully paid shares. The Company will apply for Official Quotation by the ASX of all shares issued upon exercise of Options.
- (h) There are no participating rights and entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options without exercising their Options. However, the Company will ensure that Optionholders will be allowed 10 business days notice to convert their Options to Shares to participate in an entitlement issue on the same basis as ordinary shareholders.
- (i) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Options or the exercise price of the Options or both shall be reconstructed in accordance with the Listing Rules.
- (j) **Adjustment for bonus issues of Shares**
If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the exercise price.
- (k) **Adjustment for rights issue**
If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of a Option will be reduced according to the following formula:
$$\text{New exercise price} = O - \frac{E [P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.
E = the number of underlying Shares into which one Option is exercisable.
P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
S = the subscription price of a Share under the pro rata issue.
D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.
- (l) If the Optionholder or their associate, ceases to be a Director of the Company, these Options may be exercised by the Optionholder within 60 days of the cessation, provided they are still eligible to be exercised under Clauses (b) and (c).

Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.